OILSANDS CANADA CORPORATION

2007 Annual Report

MIDDLEFIELD INCOME FUNDS

Middlefield Income Funds Profile

Since its inception in 1979, the Middlefield Group, with over $4.0 billion in assets under management, has established a strong reputation as a creator and manager of unique investment products designed to balance risk and return to meet the demanding requirements of investment advisors and their clients. These financial products include private and public resource funds, venture capital assets, mutual funds, real estate and closed-end, publicly traded income funds.

Many of Middlefield's investment products are designed and managed by our own professionals while some involve strategic partnerships with other "best-in-class" firms that bring unique value to our product offerings. Our investment team comprises ten professionals including portfolio managers, analysts and traders, five of whom hold the CFA designation. Guardian Capital LP, one of the pioneers in income trust investing, acts as Co-Advisor on several of our income funds while Groppe, Long & Littell, based in Houston and one of the world's leading forecasters of oil and natural gas prices, acts as Special Advisor with respect to the strategic outlook for the energy sector. In addition, The Mitchell Group, Inc., which is based in Houston and has an excellent long-term track record in energy investing, acts as Sub-Advisor with respect to U.S. energy stocks.

Looking ahead, Middlefield remains committed to the goal of developing new and unique investment products to assist investment advisors in providing added value for their clients.

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A Note on Forward Looking Statements

This document may contain forward looking statements, including statements regarding the Fund, its strategies, goals and objectives, prospects, future performance or condition, possible future actions to be taken by the Fund, the performance of investments, securities, issuers or industries in which the Fund may from time to time invest. Forward looking statements include statements that are predictive in nature, that depend upon or refer to future results, events, circumstances, expectations and performance, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and other similar wording. Forward looking statements are not historical facts, but reflect the Fund's current beliefs as of the date of this document regarding future results, events, circumstances, expectations or performance and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors. Forward looking statements are not guarantees of future performance, and actual results, events, circumstances, expectations or performance could differ materially from those expressed or implied in any forward looking statements contained in this document. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward looking statements include, but are not limited to: general economic, political, market and business factors and conditions; commodity price fluctuations; interest and foreign exchange rate fluctuations; global equity and capital markets; the financial condition of each issuer in which the Fund invests; the effects of competition in the industries or geographic areas in which the Fund invests; statutory and regulatory developments; unexpected judicial or regulatory proceedings; and catastrophic events. Readers are cautioned that the foregoing list of factors is not exhaustive and to avoid placing undue reliance on forward looking statements due to the inherent uncertainty of such statements. The Fund does not undertake, and specifically disclaims, any obligation to update or revise any forward looking statements, whether as a result of new information, future developments, or otherwise.

Middlefield Income Funds
2007 Message to Investors

Reflecting strong growth in the Canadian economy, equity capital markets in Canada posted another strong advance while the Canadian dollar reached all-time highs versus the U.S. dollar. The S&P/TSX Composite Index generated a total return of 9.8% while the S&P 500 posted a total return of 5.5% in U.S. dollar terms in 2007. In November, the Canadian dollar touched a record level of $1.10 U.S. before settling at $1.00 U.S. to close out the year, up 16.8% from the end of 2006.

Much of the strength in both the economy and the equity capital markets during 2007 can be attributed to the strong performance of the materials sector. The S&P/TSX Materials Index generated a total return of 30.3% in 2007 led by surges in the fertilizer and metals and mining sectors. The S&P/TSX Agriculture Index and the S&P/TSX Metals & Mining Index posted total returns of 50.3% and 16.7%, respectively. The main underlying driver for both of these sectors continues to be China's voracious appetite for commodities to fuel its growing economy.

Income trusts lagged the broader market as the S&P/TSX Capped Income Trust Index posted a total return of 6.6%, versus 9.8% for the S&P/TSX Composite Index. Buoyed in the first half of the year by brisk mergers and acquisitions activity, sector returns weakened in the second half as tighter credit conditions reduced buyers' appetite for trusts. Recognizing the impact of the tax changes that are scheduled to take effect in 2011, Middlefield portfolios focus on issuers that offer the potential to grow their businesses, either organically or by way of acquisition, thereby mitigating the impact of the tax changes. Based on continuing low interest rates and the aging population, demand for higher yielding equity alternatives will continue to grow. Therefore, companies offering high levels of sustainable income should continue to receive premium valuations as they attract strategic buyers and income-oriented investors.

Middlefield mitigates investment risk among our actively managed funds by complementing our investment management expertise with the added expertise of other reputable money managers and sector advisors, as described hereafter. Thus, we combine Middlefield's strong track record in the natural resource, real estate and income trust sectors with the strong track records of the following value-added partners:

Guardian Capital LP
Guardian, one of the pioneers in income trust investing, acts as Co-Advisor on several of our income funds. Guardian was founded in 1962 and currently manages approximately $16 billion in client assets. Guardian provides a comprehensive range of domestic and global investment management services to institutional investment managers spanning equity, fixed income and balanced investment mandates. Led by John Priestman, Guardian's income trust team, including Kevin Hall and Michele Robitaille, has an exceptional track record of investing in the income trust sector.

Groppe, Long & Littell
Groppe, Long & Littell is an oil and gas consulting firm with an international reputation for accurately forecasting long range oil and gas supply, consumption and prices. The firm has worked with an impressive roster of corporate clients including Chevron, Shell and EnCana, and has been involved in the development of U.S. national and state governmental energy policy. In addition, it has advised Alberta's Department of Energy for several years. Henry Groppe, the firm's founder, has over 50 years of experience in the energy and petrochemical industries and is a leading authority on the oil and gas industry.

Dresdner Kleinwort
Dresdner Kleinwort is the investment bank of Dresdner Bank AG and a member of Allianz. Headquartered in London and Frankfurt, with an international network of offices, Dresdner Kleinwort provides a wide range of investment banking products and services to European and international clients and was instrumental in the launch of our first income fund targeting UK investors.

When compared with passively managed funds, active management can substantially enhance returns and mitigate risk. In particular, it affords our funds the flexibility to adjust security selection and weights, sector allocations and asset mixes as the outlook changes. For example, during the year, active investment selection enhanced the performance of some of our income trust portfolios as our overweight position in business trusts exposed us to mergers and acquisitions activity, which fuelled returns in this sub-sector. As a group, business trusts advanced by 21.4% on a total return basis as per the CIBC World Markets Business Trust Index.

We continued to diversify our portfolios in 2007 by increasing our exposure in areas outside of income trusts, including agriculture-related companies and senior oil and gas and oil sands issuers. We also tilted our portfolios away from areas that are facing challenges such as the financial sector. Moreover, our disciplined, active investment approach mitigates risk by focusing our portfolios on companies with strong management teams and balance sheets.

During 2007, Middlefield launched two TSX-listed investment funds to satisfy the needs of investors.

Uranium Focused Energy Fund
In March 2007, Middlefield launched the first uranium-focused fund in Canada. The fund seeks to provide investors with the opportunity to capitalize on the strong fundamentals underpinning the uranium sector including the continued inability of mines to meet demand, the declining supply from secondary sources and the global need for "greener" alternatives to fossil-based electricity generation. The initial public offering raised $203.4 million.

OilSands Canada Corporation
OilSands Canada Corporation was launched in August 2007, raising $50 million. OilSands was designed to provide investors with an actively managed, diversified portfolio comprised primarily of publicly-listed energy-related equity securities of issuers that operate in or have exposure to the Canadian oil sands sector. Accounting for approximately half of the world's investable oil reserves, the Canadian oil sands are arguably the most attractive area in the world to acquire exposure to the oil market as they reside in a relatively stable political environment and are in close proximity to the U.S., which is the world's largest consumer of crude oil. Middlefield acts as investment advisor, supported by the expertise of Henry Groppe of Groppe, Long & Littell who, as advisor to Alberta's Department of Energy, has intimate knowledge of Canada's oil sands.

In the first quarter of the year, ACTIVEnergy closed a rights offering to its unitholders to subscribe for additional units of the fund, raising $24.2 million in the process. A rights offering for MINT, which raised $44.7 million, closed subsequent to year end.

Investment Team (L to R): Frank Zhang, Jeremy Brasseur, Dennis da Silva, Richard Faiella, Garth Jestley, Murray Brasseur, Mason Granger, Dean Orrico, Rob Lauzon.

We continued to diversify our portfolios in 2007 by increasing our exposure in areas outside of income trusts, including agriculture-related companies and senior oil and gas and oilsands issuers. We also tilted our portfolios away from areas that are facing challenges such as the financial sector. Moreover, our disciplined, active investment approach mitigates risk by focusing our portfolios on companies with strong management teams and balance sheets.

Middlefield also took the opportunity to merge several funds over the course of 2007, thereby providing our investors with an opportunity to hold units in funds with larger market capitalizations, increased trading liquidity and lower operating costs on a per unit basis:

- In May 2007, MINT Income Fund was merged with MATRIX Income Fund with the former becoming the continuing fund. As of the completion of the merger, the combined assets of MINT were in excess of $180 million.
- In the third quarter of 2007, we completed the merger of YIELDPLUS Income Fund, CORE IncomePlus Fund, MAXIN Income Fund, PATHFINDER Income Fund and MG Dividend & Income Fund with YIELDPLUS being the continuing fund. With combined assets in excess of $500 million, YIELDPLUS also announced the increase of its monthly distribution rate from $0.08 per unit to $0.10 per unit.
- In the fourth quarter, we completed the merger of ACTIVEnergy Income Fund and ALBERTA Focused Income & Growth Fund with ACTIVEnergy being the continuing fund. Assets of the fund after the merger were approximately $300 million.

Looking forward, we plan to build upon the strong franchise that we have developed in the Canadian structured products market. Our plans include expanding our product line to provide investors with exposure to additional attractive areas of the capital markets. We would like to take this opportunity to thank our directors and employees for their commitment and dedication over the past year. Above all, we want to thank the many thousands of financial advisors and investors who have demonstrated their trust in Middlefield by including our funds in their investment portfolios. We intend to continue to earn your trust through good service and performance.

W. Garth Jestley
Managing Director and Chief Executive Officer

Dean C. Orrico
Managing Director and Chief Investment Officer

Annual Management Report of Fund Performance

For the Period Ended December 31, 2007

This annual management report of fund performance contains financial highlights and should be read in conjunction with the complete audited annual financial statements of the investment fund that follow this report.

Shareholders may contact us by calling 1-888-890-1868, by writing to us at Middlefield Group, One First Canadian Place, 58th Floor, P.O. Box 192, Toronto, Ontario, Canada, M5X 1A6 or by visiting our website at www.middlefield.com to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE

INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of OilSands Canada Corporation (the "Fund") is to achieve capital appreciation of the Fund's investment portfolio (the "Portfolio"). The Fund invests predominantly in securities of issuers that operate in or have exposure to the Canadian oil sands sector. Additionally, in order to endeavour to enhance returns, up to 20% of the Portfolio from time to time may be invested in securities of private issuers which, in the view of Middlefield Capital Corporation ("MCC" or the "Advisor") are acquisition targets or are likely to become publicly listed in the near to mid term. The Portfolio is focused on securities which, in the view of the Advisor, are of high quality issuers that exhibit strong fundamentals and possess superior prospects for growth.

RISK

The Fund is exposed to several risks that may affect its performance. The overall risk of the Fund is as described in its prospectus dated July 24, 2007. Since commencement of the Fund on August 2, 2007, the risk factors have not changed.

RESULTS OF OPERATIONS

Investment Performance

The Fund raised $50 million in August 2007 under an initial public offering when it issued units, which were each comprised of one equity share and one-half of one warrant to acquire one equity share. The Fund commenced operations on August 2, 2007 and as a result, there are no comparative figures for the prior year. The net assets of the Fund were virtually unchanged on a per equity share basis from $8.84 at commencement of operations to $8.83 at December 31, 2007. General market weakness in equities as well as the negative impact of the Alberta government decision to increase royalty rates was largely offset by the unrealized gain on the warrants of $0.5 million. The Fund mitigated the high level of volatility in equities as well as the negative impact of the Alberta government decision to increase royalty rates by maintaining a significant cash position which stood at approximately 30% as at December 31, 2007. The Fund recorded a net loss on investments of $0.7 million during the period ended December 31, 2007.

In light of the volatility in equity markets in the second half of 2007, together with the Advisor's view that crude oil prices in excess of US $90/bbl are unsustainably high, the investment portfolio had a significant cash position at year end. There have been no fundamental changes to the investment objectives and strategies of the Fund and it is expected that the portfolio will be fully invested once crude oil and corresponding oil sands equity prices reduce to more appropriate levels.

Revenue and Expenses

Revenue for the partial 2007 period amounted to $0.6 million and was comprised of dividends and distributions received on the Fund's portfolio investments as well as interest earned on cash balances. Expenses for the period totalled $0.4 million which contributed to the management expense ratio ("MER") of 9.57%. The MER is high as a result of the inclusion of offering costs, such as issue costs and agents' fees, as part of the expenses used to calculate the ratio in the period of the initial public offering. Excluding offering costs and borrowing costs, the MER was 1.86%. Net investment income of $0.2 million or $0.03 per unit was recorded for the period ended December 31, 2007. There were no dividends paid to shareholders for the period ended December 31, 2007 and the Fund does not expect to pay regular dividends.

Credit Facility
The Fund has a credit facility which enables the Fund to borrow up to an amount not exceeding 25% of total assets. At December 31, 2007 the Fund had no loans outstanding. The Fund did not utilize any leverage during the period ended December 31, 2007. The credit facility provides the lender with a security interest over the assets of the Fund.

RECENT DEVELOPMENTS

On May 1, 2007 Middlefield Fund Management Limited (the "Manager") appointed the members of the Independent Review Committee ("IRC") as required by National Instrument 81-107 ("NI 81-107"). In accordance with the mandate established pursuant to NI 81-107, the IRC reviews all conflict of interest matters referred to it by the Manager. The initial members of the IRC are George S. Dembroski, Bernard I. Ghert and John B. Zaozirny.

On August 28, 2007 the Fund received approval from the Toronto Stock Exchange to make a normal course issuer bid for its equity shares. The notice of intent (the "Notice") enables the Fund to purchase up to 480,410 equity shares, being 10% of the public float of the equity shares, during the 12 month period from September 4, 2007 to September 3, 2008. Shareholders may obtain a copy of the Notice, without charge, by contacting the Fund.

On September 18, 2007 the Royalty Review Panel delivered its final report and recommendations to the Government of Alberta. The panel was created to review whether Albertans are receiving a fair share from the energy business through royalties, taxes and fees. On the basis of the panel's recommendations and industry feedback, the Alberta government announced its new royalty framework on October 25, 2007.

Adoption of Accounting Standards
Effective August 2, 2007 the Fund adopted The Canadian Institute of Chartered Accountants ("CICA") Handbook section 3855, "Financial Instruments – Recognition and Measurement". Section 3855 requires that the fair value of securities traded in an active market be determined using closing bid prices (for securities held) and ask prices (for securities sold short). Securities with no available bid prices are required to be valued at their closing trade prices and securities not quoted in an active market are required to be valued using valuation techniques, on such basis and in such manner established by the Manager of the Fund.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund, be expensed and presented in the Statement of Operations under "Transaction Costs on Purchase and Sale of Investments".

National Instrument 81-106 "Investment Fund Continuous Disclosures" ("NI 81-106") issued by the Canadian Securities Administrators in March 2005 requires that the net assets ("GAAP NAV") of the Fund be calculated in accordance with Canadian generally accepted accounting principles ("GAAP"). Canadian securities regulators have granted investment funds temporary exemptive relief to continue calculating net asset value ("Trading NAV") for purposes other than financial statements in accordance with GAAP without giving effect to section 3855; therefore, securities will continue to be valued at their closing trade prices when calculating Trading NAV for purposes other than financial statements. The relief granted will expire on the earlier of September 30, 2008 or the date on which relevant legislation relating to Trading NAV comes into effect. Pursuant to the requirements of the exemptive relief, a reconciliation between Trading NAV and GAAP NAV calculated in accordance with section 3855 must be presented. In addition, the GAAP NAV classifies the outstanding warrants as debt instruments in accordance with the CICA Emerging Issues Committee ("EIC") Abstract EIC – 50, "Special Warrants Convertible into Common Shares" whereas the warrants are not treated as a liability when calculating the Trading NAV.

RELATED PARTY TRANSACTIONS

Pursuant to a management agreement, the Manager receives a management fee. For further details please see the "Management Fees" section of this report. MCC, a company under common management with the Manager, receives advisory fees from the Manager out of the management fee. MCC also receives brokerage commissions from the Fund in connection with securities transactions. All brokerage commissions paid by the Fund were at or below market rates. In addition, MCC received an agency fee from the Fund in respect of the units it sold in 2007.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the partial period since commencement of operations. The information is derived from the Fund's audited annual financial statements.

THE FUND'S NET ASSETS PER EQUITY SHARE

	2007[3]
Net Assets, Beginning of Period	$ 8.84
Increase (Decrease) From Operations:	
Total Revenue	0.11
Total Expenses	(0.08)
Realized Losses for the Period	(0.15)
Unrealized Gains for the Period	0.11
Transaction Costs on Purchase and Sale of Investments	(0.01)
Total Decrease From Operations[1]	(0.01)
Net Assets, End of Period	$ 8.83

(1) Net assets are based on the actual number of equity shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of equity shares outstanding over the financial period. As a result, the above table is not intended to be a reconciliation of beginning to ending net assets and is not expected to add.
(2) There were no dividends paid by the Fund.
(3) For the period August 2, 2007 (date of commencement of operations) to December 31, 2007.

RATIOS AND SUPPLEMENTAL DATA

	2007[5]
Total Assets (000s)[1,6]	$ 44,690
Net Asset Value (000s)[1,6]	$ 44,148
Number of Equity Shares Outstanding[1]	4,771,300
Management Expense Ratio ("MER")[2]	9.57%
MER excluding interest expense and issuance costs[2]	1.86%
Portfolio Turnover Rate[3]	39.98%
Trading Expense Ratio[4]	0.15%
Closing Market Price	$ 7.00

(1) This information is provided as at December 31 of the year shown.
(2) The MER is based on total expenses (excluding transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset values during the period. MER excluding interest expense and issuance costs has been presented separately as it expresses only the ongoing management and administrative expenses of the Fund as a percentage of average net asset values. Issuance costs are one-time costs incurred at inception, and the inclusion of interest expense does not consider the additional revenues that have been generated from the investment of the leverage in income-generating assets.
(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio investments are managed. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset values during the period.
(5) For the period August 2, 2007 (date of commencement of operations) to December 31, 2007.
(6) Amounts are based on Trading NAV.

MANAGEMENT FEES

Management fees are calculated at 1.1% per annum of the net asset value of the Fund and are split between the Manager and the Advisor. The Manager receives fees for performing such services as maintaining the accounting records, executing securities trades, monitoring compliance with regulatory requirements, and negotiating contractual agreements, among other things. The Advisor receives fees for providing investment advice in respect of the portfolio in accordance with the investment objectives and strategies of the Fund.

PAST PERFORMANCE

The Fund has not presented its historical performance because it commenced operations on August 2, 2007.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2007

The information presented below is based on Trading NAV.

Top Twenty-Five Holdings*

	Description	% of Net Assets
1	Athabasca Oil Sands Corp.	1.5
2	Baytex Energy Trust	2.2
3	Canadian Natural Resources Limted	4.9
4	Canadian Oil Sands Trust	6.6
5	Connacher Oil and Gas Limited	2.6
6	EnCana Corporation	4.6
7	Flint Energy Services Ltd.	1.6
8	Horizon North Logistics Inc.	2.2
9	Husky Energy Inc.	4.5
10	Imperial Oil Limited	4.9
11	Laricina Energy Ltd.	2.9
12	Nexen Inc.	4.4
13	Oilsands Quest Inc.	1.4
14	OPTI Canada Inc.	3.6
15	Pembina Pipeline Income Fund	0.4
16	Petrobank Energy and Resources Ltd.	2.6
17	Petro-Canada	4.0
18	Suncor Energy Inc.	7.3
19	Synenco Energy Inc.	1.7
20	Teck Cominco Limited	3.2
21	UTS Energy Corporation	3.2
22	Value Creation Inc.	1.0

"Top Twenty-Five Holdings" excludes any temporary cash investments.
* The Fund has only 22 holdings.

Asset Class	% of Net Assets
Oil and Gas Producers	55.3
Oil and Gas Royalty Trusts	8.7
Common Shares	7.1
Power and Pipeline Trusts	0.4
Cash	29.5
Total Net Asset Value	$ 44,148,302
Total Assets	$ 44,689,782

The Summary of Investment Portfolio may change over time due to ongoing portfolio transactions.
Please visit www.middlefield.com for the most recent quarter-end Summary of Investment Portfolio.

Financial Statements

Management's Responsibility for Financial Reporting

The financial statements of OilSands Canada Corporation (the "Fund") have been prepared by Middlefield Fund Management Limited (the "Manager"), the manager of the Fund and approved by the Board of Directors. The Manager is responsible for the information and representations contained in these financial statements and other financial information contained in this annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in the notes to the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee.

Deloitte & Touche LLP are the external auditors of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee.

W. Garth Jestley
Chairman and Chief Executive Officer
Middlefield Fund Management Limited

Sylvia V. Stinson
Chief Financial Officer
Middlefield Fund Management Limited

March 5, 2008

Auditors' Report

To the Shareholders of OilSands Canada Corporation

Deloitte.

We have audited the statements of investment portfolio and net assets of OilSands Canada Corporation (the "Fund") as at December 31, 2007 and the statement of operations, of changes in net assets and of cash flows for the period from August 2, 2007 to December 31, 2007. These financial statements are the responsibility of the Manager of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and the results of its operations, changes in its net assets and its cash flows for the period from August 2, 2007 to December 31, 2007 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
March 5, 2008

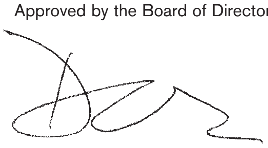
Financial Statements

STATEMENT OF NET ASSETS

As at December 31, 2007

ASSETS:		
Investments at Fair Value (Note 9)	$	31,521,971
Cash		13,022,213
Income and Interest Receivable		103,459
		44,647,643
LIABILITIES:		
Warrants (Note 8)		1,966,603
Accounts Payable – Portfolio Securities Purchased		321,750
Accounts Payable and Accrued Liabilities		219,730
		2,508,083
Net Assets	$	42,139,560
Equity Shares Issued and Outstanding (Note 7)		4,771,300
Net Assets per Equity Share – Basic (Note 9)	$	8.83
Adjustment for Warrant Liabilities		0.41
Net Assets per Equity Share (Excluding Warrant Liabilities) – Basic (Note 9)	$	9.24
Net Assets per Equity Share (Excluding Warrant Liabilities) – Diluted (Note 8)	$	9.24

Approved by the Board of Directors:



Director: Dean C. Orrico **Director: Richard L. Faiella**

STATEMENT OF CHANGES IN NET ASSETS

For the Period August 2, 2007 (Date of Commencement of Operations) to December 31, 2007

Net Assets at Beginning of Period	$	–
OPERATIONS:		
Net Decrease in Net Assets from Operations		(96,765)
SECURITYHOLDER TRANSACTIONS:		
Issue (Purchase) of Equity Shares, Net		42,236,325
Net Increase in Net Assets		42,139,560
Net Assets at End of Period	$	42,139,560
Total Assets	$	44,647,643

The accompanying notes to financial statements are an integral part of these financial statements.

STATEMENT OF OPERATIONS

For the Period August 2, 2007 (Date of Commencement of Operations) to December 31, 2007

INVESTMENT INCOME:		
Interest	$	372,701
Income from Investments		185,079
		557,780
EXPENSES (NOTE 6):		
Management Fee		216,086
Service Fees		74,244
Securityholder Reporting Costs		24,744
Audit Fees		19,080
Legal		18,888
Custodial Fees		3,000
Interest and Bank Charges		1,651
Other		34,138
		391,831
Net Investment Income		165,949
NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS:		
Net Realized Loss from Investment Transactions		(733,177)
Net Unrealized Gain from Investments		4,535
Net Unrealized Gain on Warrants (Note 3b)		533,398
Transaction Costs on Purchase and Sale of Investments (Note 10)		(67,470)
Net Loss on Investments and Transaction Costs		(262,714)
Net Decrease in Net Assets from Operations	$	(96,765)
Net Decrease in Net Assets from Operations per Equity Share – Basic (Note 7)	$	(0.02)
Net Decrease in Net Assets from Operations per Equity Share – Diluted (Note 8)	$	(0.02)

STATEMENT OF CASH FLOWS

For the Period August 2, 2007 (Date of Commencement of Operations) to December 31, 2007

OPERATING ACTIVITIES:		
Net Decrease in Net Assets from Operations	$	(96,765)
Adjustments:		
Purchase of Investments		(42,435,218)
Proceeds from Dispositions of Investments		10,506,355
Net Realized Loss from Investment Transactions		733,177
Net Unrealized Gain on Investments		(4,535)
		(31,296,986)
Net Change in Non-Cash Working Capital		2,082,874
		(29,214,112)
FINANCING ACTIVITIES:		
Issue (Purchase) of Equity Shares, Net		42,236,325
Net Increase in Cash		13,022,213
Cash at Beginning of Period		–
Cash at End of Period	$	13,022,213
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$	1,500

The accompanying notes to financial statements are an integral part of these financial statements.

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2007

Description	No. of Securities	Cost*	Fair Value
Athabasca Oil Sands Corp.	95,000	$ 665,000	$ 665,000
Connacher Oil and Gas Limited	300,000	1,214,206	1,128,000
Canadian Natural Resources Limited	30,000	2,215,271	2,176,200
EnCana Corporation	30,000	2,017,695	2,025,000
Husky Energy Inc.	45,000	1,907,032	2,003,850
Imperial Oil Limited	40,000	1,982,789	2,184,800
Laricina Energy Ltd.	40,000	1,000,000	1,300,000
Nexen Inc.	60,000	1,973,992	1,923,600
Oilsands Quest Inc.	150,000	762,169	608,022
OPTI Canada Inc.	95,000	1,832,531	1,576,050
Petrobank Energy and Resources Ltd.	20,000	592,178	1,164,400
Petro-Canada	33,400	1,982,040	1,776,546
Suncor Energy Inc.	30,000	2,913,085	3,237,300
Synenco Energy Inc.	90,000	1,082,411	756,000
UTS Energy Corporation	265,000	1,507,229	1,425,700
Value Creation Inc.	60,000	435,000	435,000
OIL AND GAS PRODUCERS: 54.8%		24,082,628	24,385,468
Baytex Energy Trust	50,000	984,339	945,000
Canadian Oil Sands Trust	75,000	2,451,233	2,900,250
OIL AND GAS ROYALTY TRUSTS: 8.6%		3,435,572	3,845,250
Flint Energy Services Ltd.	40,000	1,000,000	720,400
Horizon North Logistics Inc.	300,000	990,000	984,000
Teck Cominco Ltd. – Class B	40,000	1,849,204	1,417,200
COMMON SHARES: 7.0%		3,839,204	3,121,600
Pembina Pipeline Income Fund	9,700	160,032	169,653
POWER AND PIPELINE TRUSTS: 0.4%		160,032	169,653
TOTAL INVESTMENTS: 70.8%		31,517,436	31,521,971
CASH: 29.2%		13,022,213	13,022,213
Total Investment Portfolio, including Cash		$ 44,539,649	$ 44,544,184

* Cost excludes transaction costs such as brokerage commissions incurred in 2007.

The accompanying notes to financial statements are an integral part of this financial statement.

Notes to Financial Statements

Notes to Financial Statements

December 31, 2007

1. OilSands Canada Corporation

OilSands Canada Corporation (the "Fund") is a mutual fund corporation incorporated under the laws of the Province of Ontario on June 1, 2007. Middlefield Fund Management Limited (the "Manager") is the manager of the Fund. Middlefield Capital Corporation ("MCC"), a company under common management with the Manager, is the Advisor to the Fund and Groppe, Long & Littell acts as special advisor to the Fund. The Fund was listed on the Toronto Stock Exchange ("TSX") and effectively commenced operations on August 2, 2007 when it first issued units through an initial public offering. Each unit was comprised of one equity share and one-half of one warrant to acquire one equity share. The equity shares and warrants began trading separately on the TSX on September 4, 2007.

2. Investment Objectives and Strategy

The Fund's investment objectives are to achieve capital appreciation of the investment portfolio over the life of the Fund. The Fund invests predominantly in securities of issuers that operate in or have exposure to the Canadian oil sands sector.

3. Summary of Significant Accounting Policies

a. Investments at Fair Value

Securities listed on a recognized public stock exchange are valued at their closing bid price on the valuation date. Securities with no available bid price are valued at their closing trade price. Securities not listed on a recognized public stock exchange, or for which reliable quotations are not readily available, are valued using valuation techniques determined by the Manager of the Fund. Bonds and debentures are valued at their closing bid price on the valuation date.

b. Warrants

Warrants are classified as debt instruments in accordance with The Canadian Institute of Chartered Accountants ("CICA") Emerging Issues Committee ("EIC") Abstract EIC-50, "Special Warrants Convertible into Common Shares". The guideline indicates that if there is more than a remote possibility that equity shares will not be issued, the issuer should classify the warrants as debt. Accordingly, the warrants have been classified as debt since the holder is able to obtain cash for the instrument. They are valued using the closing ask price in an active market or, if ask price is not available, the closing trade price in an active market is used. If the warrants have not actively traded, a valuation technique determined by the Manager of the Fund is used. The change in the fair value of the warrants is recorded as an increase or decrease in the liability and an unrealized gain (loss) on warrants in the Statement of Operations. The liability will be reclassified as equity shares when the equity shares are actually issued.

c. Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. The difference between fair value and average cost of the investments is recorded as an unrealized gain (loss) on investments. Income from investments is recognized on the ex-dividend or ex-distribution date. Interest income is recognized on an accrual basis.

d. Net Decrease in Net Assets from Operations per Equity Share

Net decrease in net assets from operations per equity share in the Statement of Operations represents the decrease in net assets from operations divided by the average equity shares outstanding during the period.

e. Income Taxes

The Fund qualifies as a mutual fund corporation and a financial intermediary corporation under the provisions of the *Income Tax Act* (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to tax of 33⅓% under Part IV of the Act on taxable dividends received from Canadian corporations in the year. This tax is fully refundable upon payment of sufficient dividends.

f. Return of Capital

Distributions received from investment trust units that represent a return of capital are included in Income from Investments on the Statement of Operations. For income tax purposes, such distributions are used to reduce the average cost of the underlying investment.

g. Foreign Currency Translation
Foreign currency amounts are translated into Canadian dollars as follows: fair value of investments, forward currency contracts and other assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

h. Use of Estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the increase and decrease in net assets from operations during the reporting period. Actual results could differ from those estimates.

i. Future Accounting Changes
In December 2006, the CICA issued new Handbook section 1535 "Capital Disclosures". This standard requires disclosure of the Fund's objectives, policies and processes for managing capital.

In December 2006, the CICA issued two new accounting standards: Handbook section 3862 "Financial Instruments – Disclosures" and Handbook section 3863 "Financial Instruments – Presentation" which replace Handbook section 3861 "Financial Instruments – Disclosure and Presentation". These two new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

All of these new standards became effective for the Fund on January 1, 2008. The Fund is currently evaluating the impact of the adoption of these new standards on its financial statements.

4. Financial Instruments
The carrying values of financial instruments, including cash, receivables, payables and accruals approximate the fair value due to their short maturities.

Risk Management Policies
The Manager has risk management policies to manage risks related to financial instruments in accordance with the investment objectives, strategies and criteria of the Fund as outlined in its prospectus dated July 24, 2007. The objectives of these policies are to identify and mitigate investment risk through a disciplined investment process and the appropriate structuring of each transaction. The most important risks for the Fund are sensitivity to commodity prices, foreign exchange rate risk and market risk.

a. Sensitivity to Commodity Prices
The value of resource equities is affected by changes in commodity prices. Rising commodity prices, both short and long-term, may have the effect of increasing the Fund's net assets while declining commodity prices may have the opposite effect. The Fund seeks to mitigate commodity price risk through diversification and active management. For example, during periods of increasing commodity prices, the Fund may increase its weighting to more senior producers who are generating free cash flow and decrease its weighting to early stage exploration companies.

b. Foreign Exchange Rate Risk
Changes in foreign exchange rates may affect the cash flow generated by resource companies. For example, a Canadian company in the oil production business would be negatively impacted if the Canadian dollar were to appreciate against the U.S. dollar because oil prices are denominated in U.S. dollars. The Fund mitigates this risk through diversification and active management.

c. Market Risk
Market risk describes the Fund's exposure to volatility in the market value of its underlying securities. Volatility in commodity prices, foreign exchange rates and interest rates also lead to increased market risk. The Fund seeks to mitigate this risk through active management.

5. **Loan Payable**

The revolving term credit facility in the amount of $15 million is secured by a general security agreement. The facility is subject to annual renewal. As at December 31, 2007, the Fund had no loans outstanding. The Fund did not utilize any leverage during the period ended December 31, 2007.

6. **Management Fee and Operating Expenses**

The Manager provides investment and administrative services to the Fund. In consideration for such services the Manager receives a management fee equal to 1.1% per annum of the net asset value, calculated and paid monthly in arrears based on the average net asset value of the preceding month. The Manager is reimbursed for reasonable costs related to maintaining the Fund and preparation and distribution of financial statements and other documents to unitholders. The Fund is responsible for the payment of all expenses relating to the operation of the Fund and the carrying on of its business.

7. **Shareholders' Equity**

The Fund is authorized to issue an unlimited number of transferable, redeemable equity shares, each of which represents an equal, undivided interest in the net assets of the Fund. The Fund is also authorized to issue an unlimited number of shares of the Fund designated as Class M Shares (the "Class M Shares") of which there are 100 Class M Shares issued and outstanding.

The holders of Class M Shares are not entitled to receive dividends. The holders of the Class M Shares are entitled to one vote per share. The Class M Shares are redeemable at the option of either the Fund or a holder thereof at a price of $1.00 per share. The Class M Shares rank subsequent to the equity shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund. A trust established for the benefit of the holders from time to time of the equity shares owns all of the issued and outstanding Class M Shares.

On August 2, 2007, the Fund issued 5 million units at $10 per unit for proceeds, net of agents' fees and issue costs, of $46.6 million. Of the total number of units issued, 1,332,759 units were issued pursuant to the Fund's exchange option purchase method, in exchange for certain exchange eligible securities. Each unit was comprised of one equity share and one-half of one warrant to acquire one equity share. The equity shares and warrants began trading separately on the TSX on September 4, 2007. For the period ended December 31, 2007, the Fund purchased 162,000 equity shares pursuant to a normal course issuer bid and 66,700 equity shares in the market in accordance with its articles of amendment.

The average number of equity shares outstanding during 2007 was 4,913,249. This number was used to calculate the net decrease in net assets from operations per equity share.

The Fund does not expect to pay regular dividends or make other distributions.

8. **Warrants**

Each whole warrant entitles the holder to purchase one equity share at the subscription price of $10.25 per equity share at any time on or before July 31, 2010. Warrants not exercised by July 31, 2010 will be void and of no value. Within 30 days of the exercise of a warrant, the Fund will pay a fee of $0.15 per warrant to the dealer whose client has properly exercised the warrant and $0.10 per warrant to the agent.

The Fund issued 2.5 million warrants on August 2, 2007. No warrants were exercised during the period ended December 31, 2007. Since the exercise price of the warrants was higher than the market price of the equity shares as at December 31, 2007, there was no dilution in respect of the net assets per equity share and the net decrease in net assets from operations per equity share.

9. **Reconciliation of Net Assets per Share**
Effective August 2, 2007, the Fund adopted the CICA Handbook section 3855 – "Financial Instruments – Recognition and Measurement". Canadian securities regulators have granted investment funds temporary exemptive relief to calculate net asset value ("Trading NAV") for purposes other than financial statements in accordance with GAAP without giving effect to section 3855. Therefore, when calculating Trading NAV, securities are valued at their closing trade prices instead of closing bid prices as required by section 3855. The relief granted will expire on the earlier of September 30, 2008 or the date on which relevant legislation relating to Trading NAV comes into effect. As at December 31, 2007, the Trading NAV was $9.25 per unit compared to the net assets ("GAAP NAV") calculated in accordance with section 3855 of $8.83 per unit. The value of securities held by the Fund as at December 31, 2007 based on closing trade prices was $31,564,110 and based on closing bid prices was $31,521,971. In addition, GAAP NAV classifies the outstanding warrants as debt instruments in the amount of $1,966,603, whereas the warrants are not treated as a liability when calculating Trading NAV.

10. **Brokerage Commissions**
Brokerage commissions paid in connection with securities transactions during the period ended December 31, 2007 amounted to $67,470. MCC receives brokerage commissions from the Fund in connection with securities transactions. All brokerage commissions paid by the Fund were at or below market rates.

11. **Loss Carryforwards**
As at December 31, 2007 the Fund had capital losses of $586,326 and non-capital losses of $317,401 available for carryforward for tax purposes. The capital losses can be carried forward indefinitely and the non-capital losses will expire in 2027.

Privacy Policy

As of January 1, 2004, certain privacy legislation that our business is subject to came into effect at which time we adopted our Privacy Policy, a copy of which follows. Please take a moment to review this policy carefully. Unless we hear otherwise from you we will consider that you have consented to the collection, use, and disclosure, of your personal information as set out therein.

Middlefield considers your personal privacy to be an important part of our service to you. Our Privacy Policy incorporates the following key principles:

- **Collecting and Using Personal Information –** We will explain for what purposes we intend to use and disclose your personal information prior to or when we are collecting it, and will obtain your consent for such use and disclosure. We will limit the personal information we collect to what we need for those purposes and we will use it only for those purposes. We will obtain your consent if we wish to use your personal information for any other purpose and before collecting information from outside parties such as credit bureaus.
- **Disclosing Personal Information to Others –** We may provide your personal information to other parties, such as service providers, who assist us in serving you and to other persons where we are required or permitted to do so by law. We may also provide your personal information to other persons where we have your consent.
- **Retaining and Protecting Personal Information –** We will retain your personal information only for the time it is required for the purposes we explain or as otherwise required or permitted by law. We will protect the personal information we obtain about you with appropriate safeguards and security measures.
- **Access and Accuracy –** We will provide you with reasonable access to your personal information and we will make every reasonable effort to keep your personal information accurate and up-to-date.
- **Accountability and Openness to Your Privacy Concerns –** We will hold ourselves accountable to you and we will investigate and respond to your concerns about any aspect of our handling of your personal information. We will explain the application of our privacy policy to your personal information and explain your options of refusing or withdrawing consent to the collection, use and release of your personal information, and we will record and respect your choices.

Why and how do we obtain your personal information?

We collect, use and disclose your personal information to establish and serve you as a client and to satisfy regulatory requirements and/or laws. We obtain information directly from you or from an authorized representative of yours. We only ask for the information we need for the particular product or service requested. With your explicit consent, for credit or margin purposes, we may contact lenders or credit agencies to collect information on your credit history or employers or other personal references to verify information that you have given us. In order to comply with Canada Revenue Agency's income reporting requirements, your social insurance number is required for products which earn investment income. We may also use your personal information for such other purposes for which you provide your consent, or as otherwise permitted or required by law.

When do we disclose your personal information?

We do not sell, barter, or lease client lists or personal information to others. We will provide personal information, as required, to government agencies or investigative bodies pursuant to applicable laws. We will also provide it, as required, to securities regulators, including any self-regulating organizations that we are subject to, who collect, use or disclose personal information of current and former clients, employees, directors and others for regulatory purposes, including for the purpose of conducting compliance audits, investigations of potential regulatory and statutory violations, and information-sharing with other securities regulators and law enforcement agencies. We may also provide your personal information, only as is necessary, to other parties in order to provide you with a product that you have specifically requested, such as to a mutual fund company or a trustee of a government registered investment plan, or to parties who assist us in serving you, such as carrying broker(s) and other service providers. We may also provide it to other parties at your request, or with your consent, or as otherwise permitted or required by law.

How long do we retain your personal information?

We retain your personal information only as long as it is required for the purposes for which it was collected or as otherwise permitted or required by law. The length of time we retain it varies depending on the product or service and the nature of the information and may extend beyond the end of your relationship with us but only for so long as it is necessary for us to have sufficient information to respond to any issue that may arise at a later date. When your personal information is no longer needed as set out above, we have procedures to destroy, delete, erase or convert it to an anonymous form.

How do we protect your personal information?
We maintain security standards and procedures to protect your personal information against unauthorized access and use. All employees are familiar with the procedures that must be taken to safeguard your personal information and we limit employee access to those employees with a business need to know that are involved in the provision of the particular service to you. Other parties who assist us in serving you, such as service providers, are bound to maintain your confidentiality and may not use it for any unauthorized purpose.

Your right to access your personal information
You may request access to your personal information that we have about you by contacting us in writing as set out below. We will advise you if a reasonable charge will be required for conducting the search and we will generally respond to your request within 30 days. Please note that we may not provide information about you which reveals personal information about a third party, is subject to legal privilege, or as otherwise permitted or required by law.

Keeping your personal information accurate
We attempt to keep your personal information as accurate and up-to-date as is necessary. You can help us by promptly notifying us of any required changes or apparent errors or omissions in your personal information.

Your options
It is always your choice whether to provide us with your personal information or to consent to our collection, use or release of it. As well, usually you are free to withdraw your consent at any time, however, without certain of your personal information or consents, we may not be able to provide or make available certain products or services to you. We will be pleased to explain your options and any consequences of refusing or withdrawing your consent.

Contacting us regarding privacy issues
If you have any questions, concerns or complaints about privacy issues, you may contact our Privacy Officer by fax: 416.362.7925, or by mail: One First Canadian Place, 58th Floor, P.O. Box 192, Toronto, Ontario M5X 1A6.

Please be advised that the Internet is not a secure medium. Therefore confidentiality and security cannot be ensured for information transmitted over it. Middlefield will not be responsible for any damages you may suffer if you use the Internet to transmit confidential or sensitive information via e-mail to us or to request and receive such information from us.

Investor Services

Investor Inquiries: Any written inquiries other than change of address or change in registration of securities may be directed to The Secretary, Head Office.

Investors may call the Investor Relations department toll-free at 888.890.1868.

Change of address or change in registration:
Please write to our Transfer Agent:

MFL Management Limited
First Canadian Place
58th Floor, P.O. Box 192
Toronto, Ontario M5X 1A6

Duplicate mailings: Some investors may receive more than one copy of publications such as interim financial statements and the Annual Report. Investors who receive duplicate mailings are asked to call or write the Investor Relations department.

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Middlefield International Limited
Middlefield Realty Limited
Middlefield Realty Services Limited
Middlefield Resources Limited
Middlefield Capital Corporation
Middlefield Ventures Limited

Middlefield Funds Family

TSX-Listed Funds

	TSX Stock Symbol
ACTIVEnergy Income Fund	AEU.UN
COMPASS Income Fund	CMZ.UN
HTR Total Return Fund	HTR.UN
INDEXPLUS Income Fund	IDX.UN
Middlefield Canadian Income Trusts Investment Company PCC	LSE Symbol:MCT.L
Middlefield Equal Sector Income Fund	ESF.UN
MINT Income Fund	MID.UN
OilSands Canada Corporation	OCF & OCF.WT
STaRS Income Fund	STZ.UN
STRATA Income Fund	STW.UN & STW.PR.A
Uranium Focused Energy Fund	UF.UN & UF.WT
YIELDPLUS Income Fund	YP.UN

Mutual Funds

	Fund Code
Middlefield Canadian Balanced Class	MID 300/350
Middlefield Canadian Growth Class	MID 148/450
Middlefield Equity Index Class	MID 700/750
Middlefield Global Growth Class	MID 110/120
Middlefield Income Plus Class	MID 800/850
Middlefield Resource Class	MID 525/575
Middlefield Short-Term Income Class	MID 400/425
Middlefield Uranium Focused Metals Class	MID 210/220
Middlefield U.S. Growth Class	MID 725/775
Middlefield Enhanced Yield Fund	MID 600/650
Middlefield Money Market Fund	MID 200/250

Resource Funds

MRF 2006 Resource Limited Partnership

MRF 2006 II Resource Limited Partnership

MRF 2007 Resource Limited Partnership

MRF 2007 II Resource Limited Partnership

MRF 2008 Resource Limited Partnership

Explorer III Resource Limited Partnership

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